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REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

GENERAL BUSINESS ACTIVITY

General business activity is maintaining an unusually high level due primarily to defense orders. There have only been 23 times in the last 162 years when the monthly index of business activity as computed by the Cleveland Trust Company has been higher than it is at the present time.

In our opinion, it will remain high through at least the first quarter of 1952 with relatively high retail sales during this period. Commodity prices are not expected to show radical changes from their present level during the next six months.

The stock market during the past month has shown some sizable drops, but nothing serious in view of the rapid and heavy advances of the past two years. Whether these drops are merely technical corrections or whether they might be a beginning of a change in trend is still too early to say. This fact should be kept uppermost, however, that general business at its present phenomenal level is vulnerable and is far more likely to turn down within the next year than to turn up. If the present pace can be maintained year after year, it will be the first time in the history of the United States that this has been true. While we contemplate little change during the next few months, we certainly believe that caution is advisable in making any plans for the longer period.

REAL ESTATE ACTIVITY

Real estate activity is 31% above our long-term normal. This is lower than it has been at any other time in 1951 or 1950, but it is considerably

better than it was in the spring of 1949 and the fall of 1948. Many persons familiar only with ascending trends are quite disappointed with present levels of real estate activity, but of the last 100 years, only 16 have seen real estate activity at this season of the year higher than it is now, while 84 have seen it lower. If you can't make a profit on real estate operations at the present level, it is certainly time to investigate your methods of doing business and to attempt to achieve greater efficiency. You cannot reasonably expect many periods in a business lifetime where real estate activity will average higher than it averages at present.

RESIDENTIAL RENTS

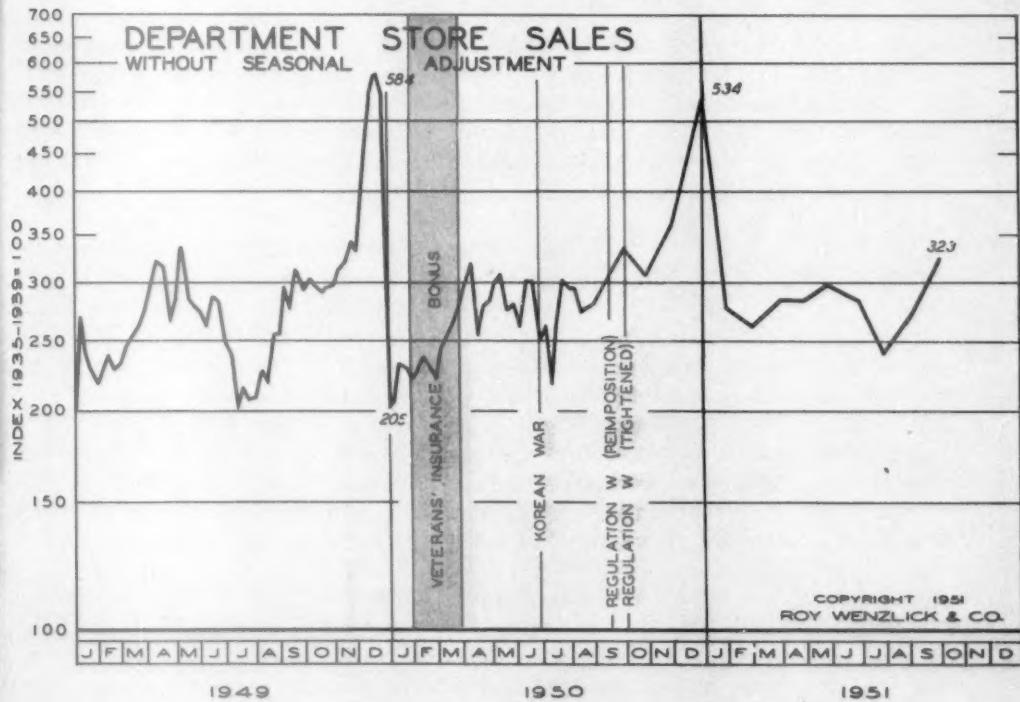
Residential rents, in spite of the fact that some areas are being recontrolled, are continuing their inevitable climb upward. The chart on page 537 will show how consistent this upward movement has been since 1946.

Only in the last few months, however, have they climbed above the average of the 18 years 1921-1938, a period which included nine good years and nine bad years for real estate. The cost of building residential rental buildings is now almost $2\frac{1}{2}$ times the average cost in this 18-year base period and, everything else being equal, we would expect in a free market to see rental values of existing buildings at a far higher level than they have attained thus far. Wages are more than double what they were during the average of this period.

Not all rents, however, will show this upward trend. Many of the high-cost units built during the past few years have enjoyed a scarcity market largely because frozen rentals in the lower brackets have had the effect of increasing the average number of square feet of space used per family. This has increased the housing shortage and is largely responsible for the scarcity which has continued year after year. Eventually, higher rentals in the lower bracket dwelling units will shrink space requirements and make units in the moderate price brackets more readily available. When this happens many 608 rental projects are apt to get into trouble.

CONSTRUCTION COSTS

Our six-room frame house now costs \$16,026 to build without the ground, a new all-time high. This is 278% of the cost of building this building in the average of the 1921-1938 period. It is practically double the 1945 cost.



REAL ESTATE MORTGAGE ACTIVITY

with the possible exception of the Chicago, Pittsburgh, South Carolina and Cincinnati regions. Loans made by individuals and by savings and loan associations have suffered the smallest declines in volume, and those by both commercial and savings banks have experienced the greatest drops.

RESIDENTIAL CONSTRUCTION

nated in September 1950. The unpegging of the price of government bonds at that time, with the resulting increase in interest rates without a corresponding increase in the rates on FHA and VA loans, dried up a great deal of mortgage money. The tightening of credit resulting from the application of Regulation X on new construction stopped the making of many basically unsound loans, but in itself was not responsible for the greater part of the shrinkage in construction volume. Regulation X has now been weakened by Congress to the extent that it will not be a great retardant to further inflation in the financing of new construction, but the shortages of copper and steel during the next few months will continue to shrink building volume at least through the first and second quarters of 1952.

BUILDING MATERIALS

in regard to some materials which are used in large quantity in residential building:

Lumber - The lumber situation is no longer critical insofar as home building goes and the expected increased demand for crating and packing materials is not expected to take up the slack caused by the reduced volume of residential building. It is believed that there will be very little pressure on the current supply in most communities and that prices may show some weakening.

Steel - Due to the defense program, the demand for steel will exceed the available supply during the first quarter of 1952 but probably in May or June the increased capacity of American steel mills will catch up and overtake demand. For the latter part of 1952, steel should be available for the amount of building which will go forward.

Copper - Last year, primary copper output in the United States totaled 940,000 short tons. This year, in spite of a price approximately 15% above the 1950 average, all efforts to increase the copper supply have failed, and while 1951 will

(cont. on page 540)

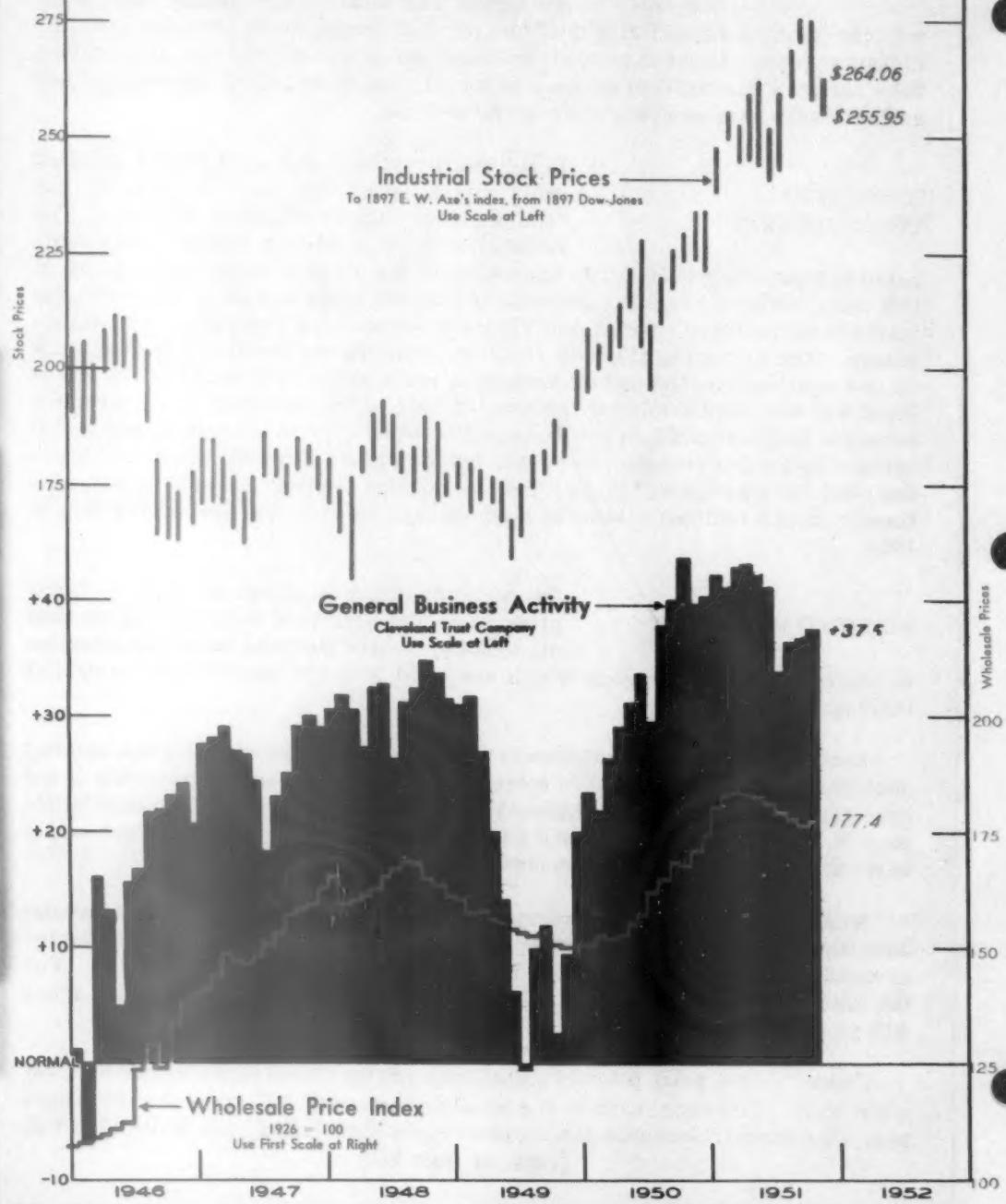
Real estate mortgage activity has been falling since August 1950. It is now running about 13% below the level of a year ago. Most sections of the United States are experiencing this drop,

Residential construction on a seasonally adjusted basis as shown on the chart on page 537 has been declining each month since February. The rapid rise which started in August 1949 culminated in September 1950.

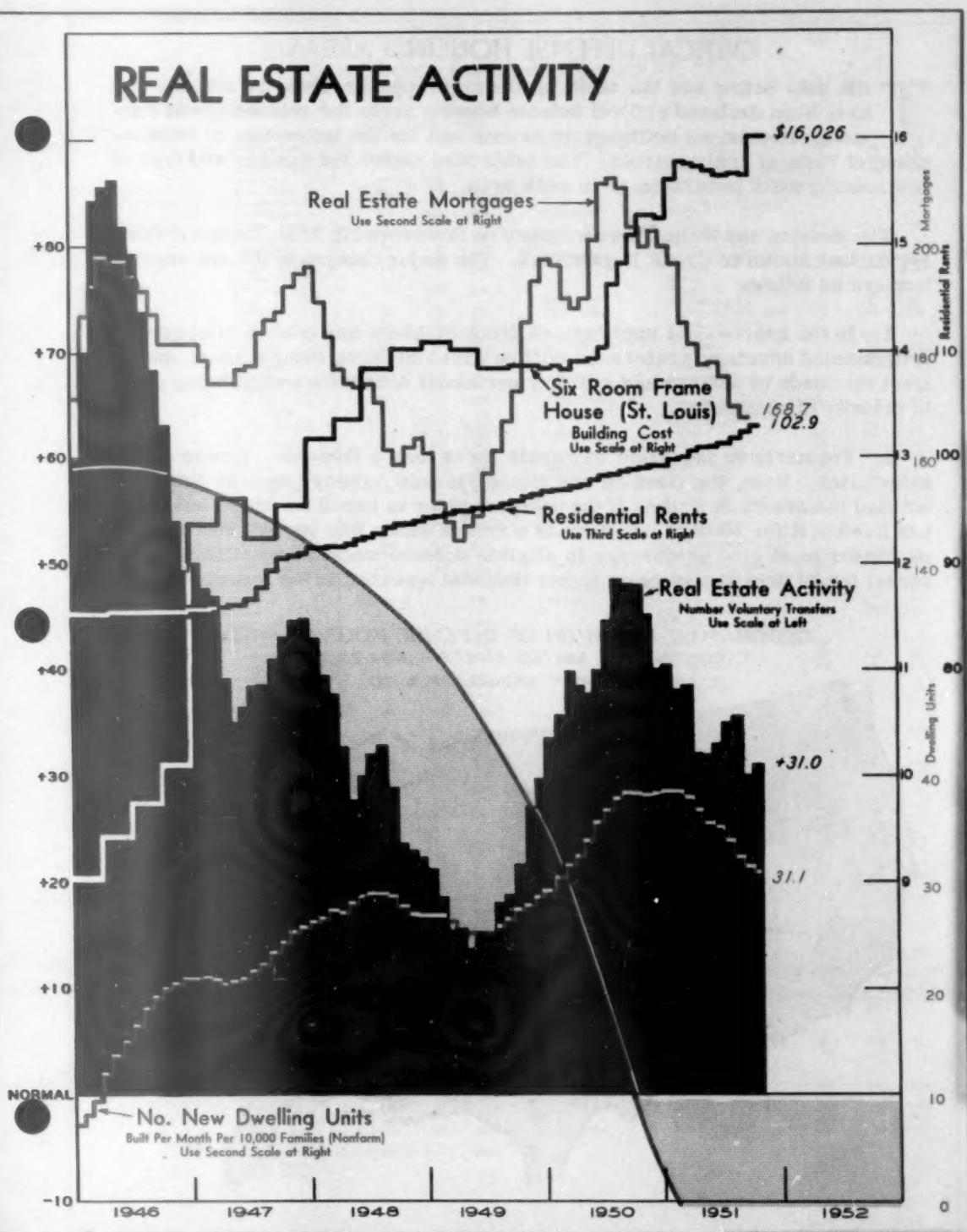
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Since some building materials will probably prove to be highly critical items during the next six months, we are outlining below the situation

GENERAL BUSINESS ACTIVITY



REAL ESTATE ACTIVITY



CRITICAL DEFENSE HOUSING AREAS

THE map below and the table on the page opposite show the areas which have been declared critical defense housing areas for relaxed credit controls, liberalized mortgage insurance and for the imposition or reimposition of Federal rent controls. The table also shows the number and type of new housing units programmed in each area.

The Housing and Home Finance Agency on November 20, 1951, issued revised regulations known as Credit Regulation 3. The major changes in the new regulation are as follows:

1. In the approval of applications from builders and others to construct programmed housing, preference will be given to those thought most able to meet the needs of defense and military personnel with little weight being given to priority of application.
2. Formerly in the event of resale there was a five-year freeze on the sales price. Now, the Housing and Home Finance Agency requires that it be notified in advance in writing if the occupant plans to resell the house before he has lived in it for 90 days. If there is a resale within this period, the original purchaser must give preference to eligible defense workers or military personnel for 60 days at a price no higher than that specified in the approved appli-

GEOGRAPHIC LOCATION OF DEFENSE HOUSING AREAS

(CONTINENTAL UNITED STATES - NOV. 28, 1951)

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CRITICAL DEFENSE HOUSING AREAS

Units Programmed as of November 28, 1951

		Resid.	Sale	Total			Resid.	Sale	Total
ALABAMA	Calhoun County	75	25	100	MAINE		Arrowsrock County	175	175
	Dade County				MARYLAND		Cecil County	120	20
	Houston County	100		100			Howard County	120	50
	Huntsville	400	200	600			Patuxent Naval Air Station	75	25
ARIZONA	Flag County	650	250	1,000			Prince Georges County	400	100
ARKANSAS	Conway-Sherman	250	250	500			Anne Arundel	400	400
CALIFORNIA	Benton County	300	50	350			St. Louis County (part)	70	70
	Arroyo Grande	50		50			Riley		
	Pismo Beach						Calvert	500	500
	Anacapa	50	25	75			Ocean Springs		
	Burro	120	50	200			Pascagoula, La.		
	Brent	80	25	100			Fort Leonard Wood		
	Carlsbad						Lafayette	150	100
	Gonzales	400	100	500			Raleigh		
	Gorda						Waycross		
	El Centro	50	100	150			Chowan County	75	125
	Imperial						Northampton County (part)	150	100
	Kern County	120	50	200			Green County (part)		
	Los Angeles	350	100	350			Stevens County	275	125
COLORADO	Los Angeles						Alamosa	70	50
CONNECTICUT	Palmdale	100	100	200			Las Cruces	100	100
DELAWARE	Long Beach	50	70	120			Tulare	15	15
	Paso Robles	50	25	115			Spaniard Air Force Base	300	150
	San Diego	6,000	1,000	8,000			Star Lake	75	
	Santa Maria	150	100	200			Hoke County	300	300
	Santa Clara	120	125	250			Cochran County		
	Tulare						Clinton County	300	300
	Ventura	400	100	500			Dayton	1,000	500
	Colorado Springs						Lewis County	450	500
	Garfield County	1,200	800	2,000			Concho County	750	300
FLORIDA	Tolowa						Clay County	30	20
GEORGIA	Dover	150	50	200			Buckley County	1,500	1,000
	Millard						Leflore County	100	
	Sayres	150		150			Hartshorne County		
	Brevard County	100	400	500			Lewis County	820	300
	Seminole County	30	50	80			Warren County, N. J.		1,000
	Cobb County	900	100	1,000			Ravannah River Area of		
	Liberty County	30		30			Georgia and South Carolina		
	Long County						1,300	300	3,500
	Valdosta	300		300			Monroe County (West)	300	300
IDAHO	Arco						Pennsylvani County (part)		
	Blackfoot						Tulibame	150	70
	Idaho Falls						Benton		
	Mountain Home	30	5	35			Coopers Cove	800	200
ILLINOIS	Champaign County	300	200	500			Fairance		
	Deerfield						Killeen		
	East Peoria						Burke	200	200
	East Moline, Ill.						Bradley County	100	435
	Moline, Ill.						Brazos County	200	100
	Rock Island, Ill.						Camp County		
KANSAS	Alton						Cass County	150	150
	Bethany						Morris		
	Clayton						Titus		
	Council Grove	40	40	80			Diaperfield		
	Emmelle						Hughes Springs	100	100
	Forreston						Pittsburg		
	Genoa						Cleberg County	70	70
	Hanford						Macon County		
	Ida						Jim Wells County		
	Leoti						Lockhart		
	Leoti City	60	60	120			Luling		
	Kansas City	1,000	1,000	2,000			New Braunfels	50	50
	Lawrence	100	100	200			Seguin		
	Manhattan	100	100	200			San Marcos		
	Marian-Florence	50	50	100			Dale Pinto County	200	100
	Montgomery	50	50	100			Parker County	150	200
	Ottawa	75	75	150			Wichita County	150	200
	Salina	20	20	40			Yoakum	50	200
	Sedgewick County	1,700	800	2,500			Brown		
	Shawnee County	500	200	700			Divide County (part)	100	100
	Topeka	500	500	1,000			Lancaster County		
	Area around Kansas City (Gard)						Rowlett County		
KENTUCKY	Bell City	100	100	200			Elizabethtown		
	Bellfont County						Elizabethtown City County		
	Benton County	300	200	500			Hempstead		
	Benton County						Porter		
	Calvert County						Monroe County		
	Eden County						Rowlett		
	Federals						Portsmouth	2,000	500
	Christian County	500		500			Princeton Anne County		
	Montgomery County, Tenn.						South Huron		
	Montgomery County, Tenn.						Brownsburg	450	200
	Montgomery County, Tenn.						Grandview	25	50
	Montgomery County, Tenn.						Hannondale		
	Montgomery County, Tenn.						Kenswick		
	Montgomery County, Tenn.						Pasco	125	100
	Montgomery County, Tenn.						Prairie		
	Montgomery County, Tenn.						Ottilie	40	20
	Montgomery County, Tenn.						Richard	400	200
	Montgomery County, Tenn.						Shore		
LOUISIANA	Montgomery Parish (part)	400	100	500			Shore County	175	50
	Calcasieu Parish	400	100	500					
	Lake Charles								
	Boueogard Parish (part)	250		250					
	Vernon Parish								
	Rapides Parish	100		100					

(cont. from page 538)

cation. After 90 days of occupancy, the purchaser is under no restrictions and may sell the house to anyone for any price.

3. Owner-occupants or tenants whose homes were demolished to make way for defense or military construction now have the same status in regard to programmed housing as defense workers or military personnel. The new regulation establishes ceiling prices on the basis of current costs for labor, material and equipment, plus nine-tenths of the highest mark-up for profit which the seller had in effect for a similar job during the base period July 1, 1949-June 24, 1950.

The new order applies to all transactions in which the seller furnishes labor, service, or any combination of labor, materials, equipment and service and building construction, highway construction, heavy construction and a broad range of miscellaneous construction. It does not apply to the operative or merchant-type of home builder, but only to those who build to a customer's order or who build for another building company. If any of these provisions are of interest, we would suggest that a complete copy of Credit Regulation 3 be secured.

(cont. from page 535)

exceed 1950 in the amount of copper ore taken out of the ground, the actual amount of copper mined will not exceed and will probably be less than the amount in 1950. Some of the ores now being worked have lower copper content and, while every effort has been made to expand copper output through loans, accelerated tax write-offs and purchase prices, setting a minimum price at which the government will buy the output of newly opened mines, copper production will increase very slowly, probably not reaching a peak for another three or four years. According to government officials, the copper situation presents the worst long-range problem, and manufacturers have been advised to substitute as much scarce aluminum as possible for scarcer copper. Builders will do well to find all possible substitutes for copper, as there is no chance that any large amount of copper will be available for building in the near future.